

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L MOSCOW 18447

USDOC FOR BEWT/USSR AND TDAD

E.O. 11652: GDS

TAGS: EGEN, EEWT, UR

SUBJECT: MINISTRY OF GAS OFFICIAL SAYS CREDIT PROBLEM BLOCKING MAJOR
DEALS WITH US COMPANIES

1. DURING CALL AT MINISTRY OF OIL INDUSTRY BY USDOC/BEWT TRADE
DEVELOPMENT OFFICER, EMBASSY ECONOMIC OFFICER, AND COMMERCIAL
OFFICER, DEPUTY CHIEF OF ADMINISTRATION FOR TECHNICAL COOPERATION
WITH CAPITALIST COUNTRIES I. K. SHILIN PLACED PARTICULAR
STRESS ON PROBLEM OF CREDITS IN FINANCING MAJOR PROJECTS UNDER
NEGOTIATION BETWEEN OIL MINISTRY AND AMERICAN FIRMS. ACCORDING
TO SHILIN, MINISTRY SPECIALISTS HAVE BEEN ANXIOUS TO MOVE
AHEAD ON FOLLOWING FIVE PROJECTS, TOTALLING ABOUT DOLS 800
MILLION, BUT IN EACH CASE THE MINISTRY HAS BEEN "REBUFFED" BY
SOVIET FOREIGN TRADE BANK, WHICH EXPLAINS THAT "SINCE THERE
ARE NO CREDITS AVAILABLE FROM USA, WE CAN'T AUTHORIZE PAYMENT":

(1) A DRILL BIT PLANT TO BE DESIGNED AND CONSTRUCTED
BY DRESSER INDUSTRIES; (2) LARGE-SCALE PURCHASE
OF SEMI-SUBMERSIBLE RIGS FROM ARMCO INTERNATIONAL; (3)
CONSTRUCTION OF GAS PROCESSING PLANTS FROM A CONSORTIUM
CONSISTING OF RALPH M. PARSONS CO., J.F. PRITCHARD

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AND CO., AND FLUOR CORP.; (4) A PLANT FOR MAKING JACK-

UP RIGS TO BE DESIGNED BY BROWN AND ROOT; AND (5) PURCHASE OF ANCILLARY EQUIPMENT FOR OFF-SHORE RIGS FROM STEWART STEVENSON AND RUCKER.

2. SHILIN EMPHASIZED THAT HIS MINISTRY HAD STRONG PREFERENCE FOR BUYING AMERICAN IN ALL THESE PROJECTS BECAUSE SPECIALISTS WERE FAMILIAR WITH HIGH QUALITY OF PLANTS AND EQUIPMENT DESIGNED AND/OR PRODUCED BY THESE FIRMS, BUT MINISTRY WOULD BE FORCED TO TURN TO WESTERN EUROPE AND JAPAN WHERE CREDITS WERE AVAILABLE. IN SOME CASES THIS WOULD UNDOUBTEDLY BE WITH SUBSIDIARIES AND LICENSEES OF THE ABOVE FIRMS, HE ADDED. (SHILIN DID NOT RESPOND DIRECTLY TO QUESTION AS TO WHETHER MINISTRY WAS ABOUT TO SIGN WITH JAPANESE FIRMS FOR DELIVERY OFF-SHORE DRILL RIGS--SEE MOSCOW 17859-- BUT MERELY REITERATED THAT CONTRACTS WOULD HAVE TO GO WHERE THE CREDITS WERE.)

3. DISCUSSION OF CREDIT PROBLEM PRODUCED SOME INTERESTING RESPONSES FROM SHILIN. PROFESSING IGNORANCE OF THE NUANCES OF HOW THE MINISTRY'S PROJECTS WERE FINANCED-- "THAT WAS THE BUSINESS OF THE FOREIGN TRADE BANK" -- HE CLAIMED THAT THERE WERE NO AMERICAN CREDITS OF ANY KIND AVAILABLE, EITHER COMMERCIAL OR EXIM, BUT HE ADDED THAT PRIVATE BANK CREDITS WOULD DO JUST AS WELL. WHEN IT WAS POINTED OUT TO HIM THAT THERE ARE DISCUSSIONS GOING ON WITH SEVERAL OF THE MAJOR AMERICAN BANKS FOR COMMERCIAL CREDITS OF CONSIDERABLE MAGNITUDE, SHILIN EXPRESSED SURPRISE THAT SUCH CREDITS COULD BE GRANTED BEFORE A CHANGE IN CONGRESSIONAL LEGISLATION. (COMMENT- SHILIN'S REMARKS WERE INTERESTING FOR TWO REASONS: (1) HIS CONFUSION ABOUT THE ROLE OF CONGRESS VIS-A-VIS PRIVATE COMMERCIAL CREDITS, A CONFUSION WE HAVE NOTED BEFORE; AND (2) HIS CONVICTION THAT COMMERCIAL CREDITS WOULD SUFFICE, EVEN WITHOUT EXIM PARTICIPATION. WE HAVE OF LATE NOTED AN INCREASING INTEREST AMONG SOVIET INDUSTRIAL MINISTRIES IN STRAIGHT COMMERCIAL CREDITS, EVEN AT THE HIGHER (NON-EXIM PARTICIPATION) RATES. HOWEVER, DEPUTY MINISTER OF FOREIGN TRADE ALKHIMOV WAS STRONGLY NEGATIVE REGARDING COMMERCIAL BANK CREDITS IN

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DECEMBER 19 MEETING WITH DEPUTY ASSISTANT SECRETARY DOWNEY - SEE MOSCOW 18304. END COMMENT)

4. ANOTHER COMMENT BY SHILIN OF SOME INTEREST WAS HIS STATEMENT THAT THE MINISTRY HAD DECIDED TO PUT ALL "SMALLER DEALS" ON THE BACK BURNER WHILE THE MAJOR ONES--SUCH AS THOSE OUTLINED IN PARA 1--ARE BROUGHT TO CONCLUSION. THIS DECISION MAY BE A RESULT OF THE

MINISTRY'S NEED TO REASSESS ITS PROJECT PRIORITIES IN
LIGHT OF NEW HARD CURRENCY LIMITATIONS IMPOSED AS A
RESULT OF THE GRAIN PURCHASES; THE OIL MINISTRY
APPARENTLY INTENDS TO PROCEED WITH THE HIGH PRIORITY
PROJECTS IT HAS BEEN WORKING ON FOR SOME TIME WHILE
SHELVING NEWER PROJECTS LESS VITAL TO THE CENTRAL
TASK OF INCREASING OIL PRODUCTION. MATLOCK

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